

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY LAGOS

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E.O. 11652: N/A

TAGS: EINV

SUBJECT: AMERICAN INSURANCE GROUP (AIG) AND AMERICAN INTER-
NATIONAL INSURANCE COMPANY (AIIC)

REFS: (A) STATE 137118; (B) LAGOS 6958; (C) LAGOS 8933

1. DEPARTMENT HAS BEEN CONTACTED BY RONALD SHELP OF AIG,
TO DISCUSS RESULTS OF RECENT DEMARCHE (PER REF A). BASED
ON INFO REF B WE WERE UNABLE TO CONFIRM THAT AIDE MEMOIRE
HAD BEEN PRESENTED TO OR DISCUSSED WITH A MEMBER OF SUPREME
REVOLUTIONARY COUNCIL OR OTHER APPROPRIATELY HIGH LEVEL
FMG OFFICIAL. WOULD APPRECIATE EMBASSY UPDATE ON ACTIONS
TAKEN SINCE CONVERSATION WITH AFOLABI REPORTED IN REF B.

2. SHELP ALSO EXPRESSED CONCERN OVER OUTCOME OF TWO
RECENT INFORMAL MEETINGS BETWEEN AIIC OFFICIALS AND CAPITAL
ISSUES COMMISSION (CIC). MEETINGS WERE HELD IN FRIENDLY
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ATMOSPHERE, BUT ACCORDING TO SHELP, CIC INDICATED THAT IT
WILL TREAT AIIC IDENTICALLY TO OTHER FINANCIAL INSTITUTIONS.
THIS COURSE, IF FOLLOWED, WOULD RESULT IN PAYMENT OF NET
ASSET VALUE FOR ADDITIONAL 11 PERCENT OF AIIC SHARES.
THIS WOULD AMOUNT TO PAYMENT OF PAR VALUE, AN AMOUNT SO
LOW THAT AIG FEELS THAT IT WOULD HAVE TO PURSUE AN EXPRO-
PRIATION CLAIM RATHER THAN ACCEPT THE PAYMENT. SHELP

ASKED THAT EMBASSY AGAIN MAKE DEMARCHE TO FMG IN EFFORT TO ENCOURAGE CIC TO CONSIDER HIGHER VALUE FOR ADDITIONAL 11 PERCENT AIIC SHARES DUE TO BE TRANSFERRED TO FMG.

3. ALTHOUGH REF C GIVES SOMEWHAT MORE OPTIMISTIC VIEW OF LAST AIIC-CIC MEETING, IN LIGHT OF PARA 2 ABOVE DEPARTMENT BELIEVES THAT EMBASSY SHOULD MEET WITH FMG ON HIGHEST LEVEL APPROPRIATE TO REITERATE OUR HOPE THAT FMG AND AIG REACH A MUTUALLY ACCEPTABLE AGREEMENT ON PRICE FOR AIIC SHARES. MEETING SHOULD TAKE PLACE AS SOON AS POSSIBLE IN ORDER TO ALLOW TIME FOR OUR VIEWS TO HAVE AN IMPACT ON THE ACTIONS OF THE CIC. YOU MAY WISH TO DRAW ON THE FOLLOWING TALKING POINTS.

-- WE ARE CONCERNED THAT IN THEIR RECENT MEETINGS, THE CIC AND REPRESENTATIVES OF AIIC APPARENTLY MADE LITTLE PROGRESS ON THE ISSUE OF A MUTUALLY ACCEPTABLE PRICE FOR THE ADDITIONAL 11 PERCENT OF AIIC'S SHARES TO BE TRANSFERRED TO THE FMG.

-- WHILE WE ARE NOT TAKING A POSITION ON THE PARTICULARS OF AIG'S CASE, IT DOES APPEAR THAT VALUATION OF INSURANCE COMPANIES BY STANDARD ACCOUNTING TECHNIQUES USED FOR FINANCIAL INSTITUTIONS MAY SERIOUSLY UNDERSTATE THE VALUE OF THE COMPANY. WE ARE HOPEFUL THAT THE CIC WILL CONSIDER LIMITED OFFICIAL USE

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ALL RELEVANT FACTORS WHICH AFFECT THE VALUE OF THE AIIC IN CONNECTION WITH THE DETERMINATION OF THE PRICE TO BE PAID FOR THE ADDITIONAL 11 PERCENT OF THE COMPANY'S SHARES.

-- SHOULD THE FMG ACQUIRE CONTROL OF AMERICAN OWNED INSURANCE COMPANIES IN THE ABSENCE OF A MUTUALLY ACCEPTABLE AGREEMENT ON THE SALES PRICE, THE USG WOULD BE REQUIRED BY U.S. LAW TO DETERMINE WHETHER AN EXPROPRIATION WITHOUT ADEQUATE COMPENSATION HAD OCCURRED. WE BELIEVE THAT AN AFFIRMATIVE DETERMINATION COULD HAVE UNFORTUNATE EFFECTS ON THE NIGERIAN EFFORT TO ATTRACT FOREIGN INVESTMENT TO NIGERIA, AND REMAIN HOPEFUL THAT PROGRESS IN THE NEGOTIATIONS BETWEEN THE FMG AND AIIC WILL MAKE IT UNNECESSARY FOR US TO ADDRESS THIS QUESTION.

4. FYI: AS EMBASSY IS AWARE, A FINDING OF EXPROPRIATION WITHOUT ADEQUATE COMPENSATION COULD LEAD TO ADVERSE FINDINGS UNDER HICKENLOOPER AND GONZALES AMENDMENTS, AND TITLE V OF THE TRADE ACT WHICH AFFECT AID, U.S. SUPPORT FOR IFI LOANS AND GSP, RESPECTIVELY. WHILE NONE OF THESE LEGISLATIVE SANCTIONS WOULD HAVE AN IMMEDIATE IMPACT,

THEIR INVOCATION COULD SEVERELY LIMIT OUR FUTURE POLICY
FLEXIBILITY, AND WOULD HAVE A SYMBOLIC IMPORTANCE THAT

COULD HAVE AN UNFORTUNATE IMPACT ON THE TONE OF OUR
RELATIONSHIP WITH NIGERIA. NOTWITHSTANDING THEIR HYPER-
SENSITIVITY, IT IS IMPORTANT THAT SENIOR FMG OFFICIALS BE
MADE AWARE OF THE SERIOUS IMPLICATIONS OF A FAILURE TO
REACH A MUTUALLY ACCEPTABLE SETTLEMENT WITH AIIC. END
FYI. CHRISTOPHER

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